

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Todd Bancshares, Inc. / United Southern Bank

Point of Contact:	Jeff Fritts	RSSD: (For Bank Holding Companies)	1140574
UST Sequence Number:	582	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	4,000,000	FDIC Certificate Number: (For Depository Institutions)	9309
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	February 06, 2009	City:	Hopkinsville
Date Repaid ¹ :	N/A	State:	Kentucky

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

United Southern Bank has been able to increase lending to a degree that would not have been possible without the \$4,000,000 capital injection from its parent holding company, Todd Bancshares, Inc.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

From 12-31-08 to 12-31-09, USB increased its lending in Res-RE and Commercial RE & Commercial loans. From 12-31-09 to 12-31-10, USB increased Residential RE lending by \$6M (11%); Commercial lending by \$1M (7%); Other RE lending by \$4M (5%) & Farm lending by \$4M (39%).

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☒ **Increase securities purchased (ABS, MBS, etc.).**

From 12-31-09 to 12-31-10, USB increased its balances by \$8M; increasing CMO's by \$11M & Munis by \$3M.

☐ **Make other investments.**

☒ **Increase reserves for non-performing assets.**

From 12-31-09 to 12-31-10, USB increased its loan loss reserve \$884K (49%).

☒ **Reduce borrowings.**

From 12-31-09 to 12-31-10, USB decreased its YTD Avg. Balance of Fed Funds borrowed by \$2M.

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☒ **Increase charge-offs.**

From 12-31-09 to 12-31-10, USB increased its charge-offs by \$756k.

☐ **Purchase another financial institution or purchase assets from another financial institution.**

☐ **Held as non-leveraged increase to total capital.**

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Todd Bancshares, Inc. / United Southern Bank was able to avoid having to go to other capital markets to secure additional capital at a time when there much concern about the banking industry. By not having to do this at that time, the capital injection was able to be obtained at a cost that was less than what otherwise might have been. This allowed United Southern Bank to make additional loans at lower interest rates, and keep its capital ratios at an acceptable level.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

United Southern Bank was able to increase its loans to home owners, home buyers, commercial businesses, commercial real estate customers and farmers at a time when some banks were limiting their loan business. USB continues to increase its loan balances to customers in these areas.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

N/A